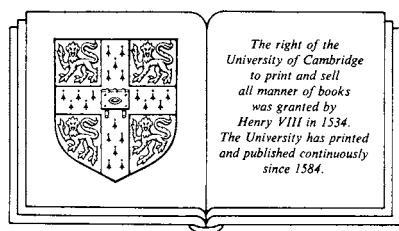


The politics of depression in France 1932–1936

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Introduction

The 1930s were a sad decade for the French economy: defeated on the battle field in 1940, France had in the previous decade already suffered her 'economic Sedan'.¹ France, the last country to be affected by the Great Depression, was also the last to recover from it. The index of French industrial production, having fallen below 100 (base 1928) in May 1931, was not to reach that level again until June 1939; as for the peak of 1929, this was not reached again until 1950. In Britain, on the other hand, the economy started to recover from August 1932: by 1934, industrial output had attained the levels of 1929; by 1937 it was 24 per cent higher. In Germany, where output had fallen by 42 per cent between 1929 and 1932, the 1929 level was reached in 1935; by 1937 it had been exceeded by 16 per cent. In America also, where recovery was more halting and where unemployment remained high, industrial output which had almost halved between 1929 and 1932, stood in 1937 at only 8 per cent below its peak level of 1929. In France at this time it was 28 per cent below the peak of 1929.²

At one time, discussion of French economic history was dominated by the problem of French 'backwardness', of French resistance to economic growth, of the prevalence of a stagnationist 'malthusian' – to adopt the French terminology – mentality.³ This debate was much influenced by observation of the poor performance of the French economy in the 1930s. More recently economic historians, writing from the perspective of rapid French economic growth in the 1950s and 1960s, have tended to dwell less on the experience of the 1930s,⁴ or have pointed out that the decade can also be seen as part of a process of structural transformation of the French economy in which traditional industries such as textiles consummated their decline and others – hydro-electric power, petrol refining, chemicals, pharmaceuticals, rubber, aluminium – continued their expansion in spite of the slump.⁵ But even if the picture needs to be slightly modified in this way, the fact remains that France was the only important industrial power in which the 1929 level of production would not be attained again until after the war. The reasons for recovery in each country were varied and remain controversial. In France, recovery until 1936 was prevented by a refusal to devalue the franc and by the deflationary policies of which this decision was a partial cause; and the

entirely different policies of the Popular Front after 1936 failed to remedy the situation. The purpose of this study is to examine the course of, and debate over, economic policy in France during these years, and more particularly between 1932 and 1936.

At stake in this debate was ultimately the balance of power in Europe. The decline of the relative economic and financial position of France between 1930 and 1936 had important repercussions on French foreign policy and military power. In the first place, French governments could no longer use economic or financial strength as a weapon of foreign policy. In August 1931, when the gold reserves of the Bank of France were at almost record levels and the French economy was only just being touched by the Depression, the French government's intervention had played a major role in preventing a proposed customs union between Germany and Austria; but in March 1936 the French government had watched helplessly as German troops marched into the Rhineland: one of the factors which prevented the French reacting to this flagrant breach of the Versailles settlement was fear of the effect that such action might have on the franc.⁶ In August 1931 the Bank of France had lent the Bank of England £25 million to support the pound; in February 1936 a group of English banks lent the hard-pressed French Treasury £40 million. It is from 1936 – from the reoccupation of the Rhineland – that we can date that dependence of French foreign policy on British foreign policy which has led one historian to talk of London as France's 'English governess':⁷ when Edouard Daladier formed his government in April 1938 the British Ambassador in Paris intervened successfully to prevent the appointment of Joseph Paul-Boncour as foreign minister.⁸

Secondly, the decline in French economic strength affected the thinking of the military. French military doctrine between the wars was premised on the probability of a prolonged war in which economic – and demographic – strength would play a determining role.⁹ By 1936 French inferiority in both these respects was all too apparent. Another element, then, in the French decision not to provoke the risk of a major war by resisting the invasion of the Rhineland was the erroneous belief, shared by General Gamelin himself, that France no longer had a decisive military lead over Germany in either men or material.¹⁰ The cuts in public spending which the Depression was believed to make necessary had led to a 32 per cent drop in military expenditure between 1931–2 and 1935.¹¹ Indeed Robert Frankenstein, the historian of French rearmament, has claimed that one can talk of a period of 'disarmament' in these years,¹² while between 1934 and 1936 German arms expenditure more than doubled. And although arms spending in France did start to rise again in 1935, the first steps towards rearmament were faltering and continuously at the mercy of financial constraints.¹³ To some extent there was a lack of will as much as of money¹⁴ but General Weygand nonetheless protested vociferously against the cuts.¹⁵ Some politicians, on the other hand, were ready to

draw the logical conclusions from the new economic situation: it has been suggested that the 'appeasement' policies of both Laval in 1935 and Bonnet later were a corollary of their belief in a deflationary economic policy; appeasement was all that France could afford.¹⁶ Conversely the new vigour of French foreign policy after the spring of 1939 may have owed something to the marked improvement in the economic and financial position during the previous months.¹⁷ But was it not by then too late to avert a war – and perhaps even to win one?

This is not to argue that the collapse of France in 1940 was an inevitable consequence of the economic stagnation of the 1930s. That defeat was a purely military one and was in no way written in the stars.¹⁸ Yet although one must guard against retrospective reinterpretations of the national mood, the confidence of France's leaders in 1940 was very precarious. J. B. Duroselle has called his book about French foreign policy in the 1930s *La Décadence*. This decadence was made up of many factors: demographic inferiority, fear of social revolution, institutional breakdown and an awareness of relative economic decline.

The attempt to grapple with the Depression also undermined French political stability and faith in Republican institutions. Between 1932 and 1936, out of 11 governments, five fell directly over a question of economic and financial policy, one other would have done so if it had not deliberately chosen to fall on another issue and two others were granted decree powers to redress the economic and financial situation. Although there were other topics of political debate – especially, after 1934, the anti-parliamentary right-wing leagues – it is no exaggeration to say that politics were dominated by the economic problem and its financial repercussions. This study is therefore also in some sense a study of politics between 1932 and 1936.

The interaction between the economy and foreign policy has been noted by historians on many occasions.¹⁹ And yet there has been surprisingly little investigation of the course of economic policy in these transitional years. Alfred Sauvy's pioneering and indispensable four-volume *Histoire économique de la France entre les deux guerres* remains the most detailed study of the evolution of the French economy between the wars. But as its title suggests it is primarily an economic history, and its numerous incursions into discussion of economic policy are marred both by the fact that Sauvy tends to rely mainly on his memories as a very *engagé* participant in the events he describes and by his technocrat's indignation at the folly of politicians – one of the main themes of the work. The relevant volume of Labrousse and Braudel's series, *Histoire économique et sociale de la France*, although it has superseded Sauvy in many respects, has only very general remarks about economic policy.²⁰ There are of course studies of particular aspects – of public works policies, of Socialist economic policies, of Communist economic policies, of monetary policy and so on²¹ – but any overall study which closely

examines economic policy and places it in the context of politics is conspicuously lacking.

The Popular Front period has been somewhat less neglected.²² But this is not the primary reason why this book ends in 1936 (except for a brief consideration of the years from 1936 to 1939 in the epilogue). The year 1936 is an important date for more than historiographical reasons. In the history of French foreign policy it is of course a crucial date: the invasion of the Rhineland not only removed an important buffer zone and made it effectively impossible for France to defend her eastern allies, but led to a collapse of French prestige throughout Europe.²³ But even if, as has been recently argued, the Rhineland was not quite the diplomatic turning-point that has often been claimed,²⁴ there is no doubt that 1936 forms a clear break in economic policy. This is not only true for the obvious reason that a reflationary Popular Front government replaced a series of deflationary Radical and conservative governments. It is also the case that after 1936 the freedom of manoeuvre of governments had become extremely limited: on taking office in June 1936 Léon Blum was confronted with a semi-revolutionary political situation; his financial inheritance was catastrophic; devaluation was inevitable; and financially costly rearmament was unavoidable. Between 1932 and 1936, on the other hand, governments seem to have been in a relatively privileged position (although one aim of this study will be to show that there were important financial constraints on them): France was affected by the slump relatively late and this gave French politicians the chance to observe the experience and policies of other countries; in addition, the franc was strong. The intention is not, however, to stage a new Riom trial with new defendants: Laval, Doumergue, Germain-Martin and so on. Although Blum did inherit a difficult situation he undoubtedly made many mistakes in his handling of it. The problem is to understand, by examining the political situation, the historical memories, the financial constraints and so on, why, between 1932 and 1936, governments with a seemingly considerable freedom of manoeuvre, pursued economic policies which resulted in economic stagnation (or, at least, failed to alleviate it); and to consider the alternatives proposed.

It is, of course, impossible to say what would have occurred if different policies had been pursued. But implicit in what follows is the assumption that a devaluation, say in 1933, 1934 or 1935, combined with more expansionary fiscal and monetary policies would, to some extent at least, have improved the economic situation. Until recently, whatever the controversies which raged retrospectively about, for example, the 40-hour week, these assumptions would have been accepted by almost all economists and historians. Today there is perhaps less certainty. While no one would any longer seriously defend the decision not to devalue until 1936, some writers, especially on the left, have, by stressing the internal and structural contra-

dictions of the French economy, implicitly minimized the significance of the failure to devalue.²⁵ And the arguments of those who in the 1930s opposed expansionary fiscal policies – and we should remember that it was not necessary to have read Keynes to be an advocate of increased public spending, even deficit finance – are fashionable once again, especially on the right: what was once stigmatized as the ‘Treasury view’ is now hallowed as ‘crowding out’. But I write as an historian not an economist, and the point can therefore not be argued here, except to make two observations. First, the importance of the refusal to devalue lay less in the inhibiting effect on French exports – this was anyway a period of growing protectionism and declining international trade – than in the depressive effects of the deflationary policy which clinging to gold imposed on the French economy (just as the importance of the British devaluation lay not in its stimulus to exports but in allowing the cheap money policy during the 1930s); and devaluation, when it came, did after all give a strong boost to the economy, even if, for reasons we will consider, this was not sustained. Secondly, with regard to fiscal policy, it is important to remember that the background during the 1930s was one of falling prices not, as during the 1970s, of inflation. In short my aim is a double one: to illuminate the politics of the period by examining the debate over economic policy; and to understand the ‘irrational’ policies pursued by placing them in the political context.

I have restricted myself almost entirely to the political debate – that is, to the debate between those who made and those who aspired to make policy. If chapter 7 pays a certain attention to trade union planners, this is because their ideas had considerable influence on much of the political left. But although we will more often be inside the Palais Bourbon than outside it, it is important to remember that it did not only take a ‘6 February’ to remind politicians of the realities of the outside world: policy was affected by its perceived social repercussions. In this context a useful – if incomplete – source is provided by the reports of the Prefects and *Commissaires spéciaux* about the state of mind of the population. Even if there was a tendency to tell the government what it wanted to hear, this was one of the major sources available to it in assessing the impact of policy. As for the influence of financial and industrial interests on policy, this is very difficult to determine. The inter-war years in France are the age par excellence of the myth of the ‘wall of money’, the ‘two hundred families’. Jean-Noël Jeanneney’s masterly case study of the steel magnate and Regent of the Bank of France, François de Wendel, has shown how despite his immense potential power, even the influence of a man such as de Wendel was very limited.²⁶ Many further such studies would have to be undertaken before it is possible to arrive at a synthetic view. I have therefore limited myself to examining the views of business as expressed by various newspapers – *Le Temps*, *La Journée industrielle*, *Le Bulletin quotidien* and so

on – and to considering the declared views of business groups such as the Confédération Générale de la Production Française (C.G.P.F.) or Chambers of Commerce.

The book is divided into three parts. Part 1, having described the historical and institutional background, will examine the first impact of the slump in France and the initial responses to it before 1932. The first two chapters of Part 2 will analyse in detail the course of, and debate over, government policy between 1932 and 1936, laying particular emphasis on the financial constraints under which governments operated, or believed themselves to operate; the third chapter will describe the painful formation of the economic policy of the opposition parties of the Popular Front. Part 3 will examine the two major alternative policy proposals – ‘planning’ and devaluation – which were adopted neither by governments nor by the Popular Front, and it will examine why this should have been so. Finally, an epilogue will briefly take the story from 1936 to 1939.